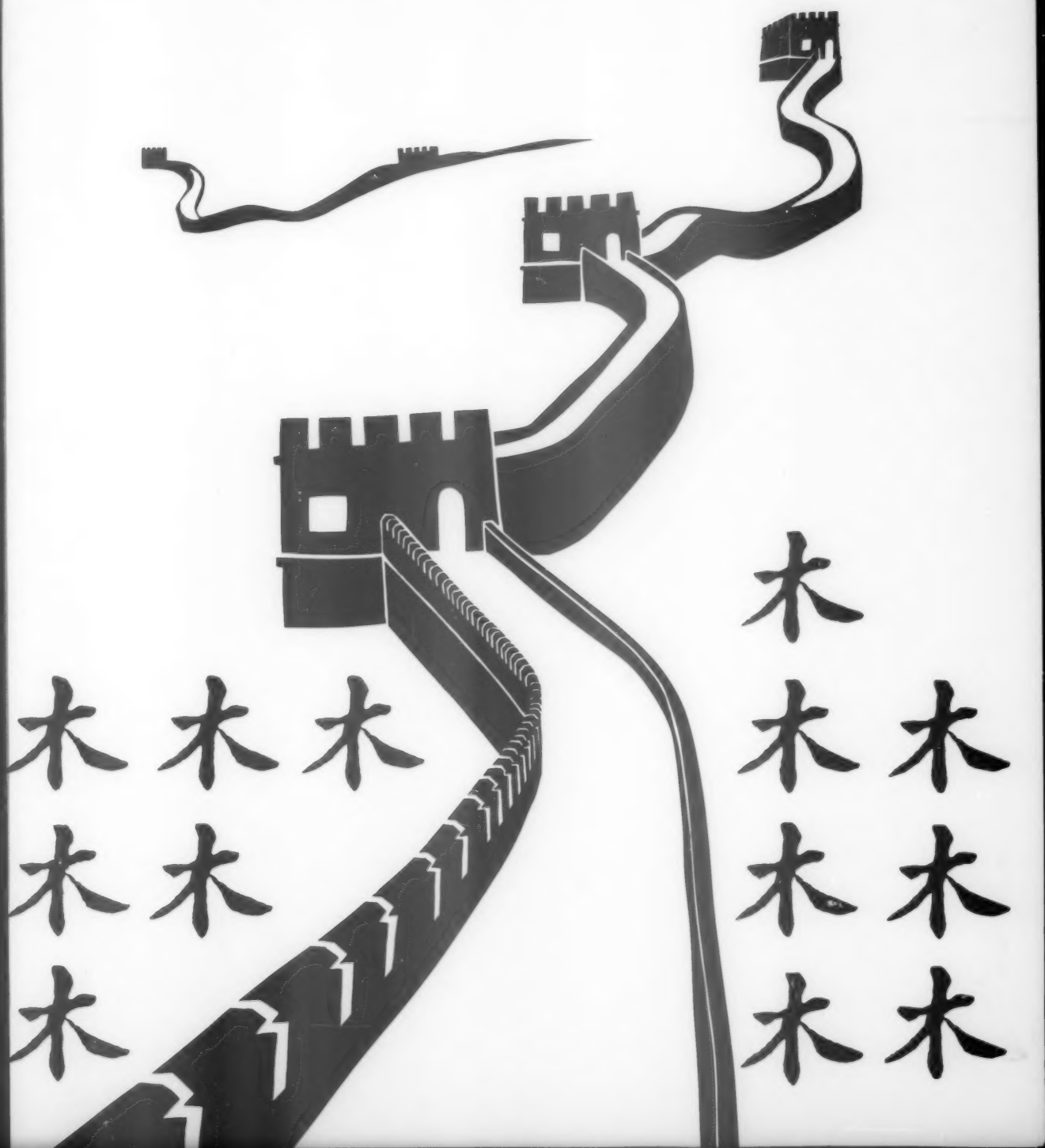
United States
Department of Agriculture
Foreign Agricultural Service
December 1983

Foreign Agriculture

Trees for China
Sow Seeds for Trade



Marketing News

First Market Development Activity for Barley Launched

As part of a push to expand exports of U.S. barley, the **U.S. Feed Grains Council (USFGC)** recently sponsored a five-state tour of barley production and exporting facilities for four key Japanese food and feed import officials. The visit resulted in sales of more than 60,000 tons of U.S. barley. A spokesman for the Council said this mission was the first market development activity for barley it had undertaken. "Until now, the barley industry hasn't paid too much attention to exports," said the spokesman. "However, barley production and stocks have been building at a faster rate than other feed grains. At the same time, domestic demand for barley has been flat—so U.S. barley growers are giving the export market a second look."

One of the countries they are looking at is Japan, a major feed market for barley but one where the United States has only a 10-percent share. The visit by Japanese import officials was the first step in showing that the United States has the capacity to produce and export high-quality barley and that it intends to compete with other barley-exporting nations on a long-term basis. In addition to Japan, other nations targeted by the Council for barley promotion include Taiwan, Singapore and the nations of the Middle East and Africa.

Taiwan's "Buy America" Makes Eighth Visit

A 60-person "Buy America" team from Taiwan visited the United States September 23-November 16 for its eighth annual mission to purchase a variety of U.S. agricultural products. One group particularly interested in this mission was the **U.S. Feed Grains Council.** Among the team's purchases were U.S. corn, sorghum and barley. Taiwan is one of the largest markets for U.S. feed grains, taking 60 percent of its total purchases of these three commodities in 1982 from the United States. The USFGC has a number of ongoing activities in Taiwan, including feedlots, livestock projects and trade teams.

U.S. Wheat Inaugurates Mideast Milling Course

U.S. Wheat Associates recently sponsored its first regional Middle East milling short course in Cairo, attracting participants from Turkey, Egypt, Kenya and the Sudan. Combined, these four countries have yearly wheat imports of 7.3 million tons. The course was designed to transfer milling technology and information to millers in the region through field trips to port facilities, a flour mill and pasta plant, bakeries and a bakery equipment company.

Four U.S. consultants presented a comprehensive view of all aspects of the milling industry, including milling technology, plant breeding, grain storage, milling chemistry, physical control of mills, infestation and sampling. The course generated more interest in U.S. wheats by the participants and helped to highlight various classes of wheat available from the United States.

MEF Takes on the Caribbean Market

As part of its ongoing effort to boost U.S. meat exports to the Caribbean region, the **U.S. Meat Export Federation (MEF)** recently sponsored educational seminars in Barbados and Trinidad and Tobago. Importers, retailers, hotel and restaurant representatives and government officials were among those getting filled in on U.S. meat production and grading, meat handling, portion control, processed meat products and menu suggestions.

Barbados is a good market for partially grain-fed and nongrain-fed beef, according to the MEF's Latin American director Sevrin Johnson. The country's 320,000 citizens enjoy the highest per capita income in the West Indies, the fifth highest in the Western Hemisphere, and an influx of more than 300,000 tourists each year.

Trinidad and Tobago make up a diversified market for U.S. meat products. Various segments of the population favor pork products, while others want beef. In addition, many consumers require a Halal product. Products such as salted beef and pork, processed/canned meat and retail cuts for hotels, restaurants and institutions are all in demand.

The Magazine for Business Firms Selling U.S. Farm Products Overseas

Published by
U.S. Department of Agriculture
Foreign Agricultural Service

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An exchange program between the United States and China is helping Chinese afforestation efforts and creating a market for U.S. exporters.

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Oversupply of international shipping services may give U.S. exporters an advantage in today's competitive shipping market.

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Exporting rice is a lucrative yet little understood billion-dollar-a-year business in the United States.

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Food trade shows in Singapore and Hong Kong next spring will give U.S. food exporters a good opportunity to display their products for potential buyers.

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Cover:
The Great Wall winds across a landscape forested by the Chinese character for tree.

China's Need for Trees Sows Seeds for Trade

Loren Gifford

Stan Krugman

Stan Krugman

By Samuel Wong

A U.S.-Chinese loblolly pine scientific exchange program may literally be sowing the seeds for trade between the two nations.

In this program, the Chinese are learning what kinds of trees grown in the United States will survive the hardy climate of their country. Besides helping China recover its denuded forest lands, the exchange program also gives the U.S. seed companies the opportunity of gaining a valuable new export market.

One thing that keeps this trade from expanding faster is the "knowledge" gap between the United States and China. Scientific and technical exchanges now underway between the United States and China are bridging this gap. This beginning in forest genetics can help create additional Chinese demand for other U.S. agricultural products and contribute to the U.S. market share in China—and in other parts of the world.

Beginning of Exchange Programs

After the United States and China resumed diplomatic relations in 1979, the two countries established scientific and technical exchanges in various fields.

Within USDA, the Office of International Cooperation and Development (OICD) has the primary role of coordinating these agricultural exchange programs. Forest genetics and tree improvement have been key activities in these endeavors.

Since the genetics program started, more than 70 scientists from the United States and China have made exchange visits, sharing basic scientific resources including research in genetic materials and swapping of information.

Benefits of Exchange Programs

USDA foresters have had contact with Chinese foresters for almost a decade. Following normalization between the two

countries, they have visited China on tree improvement missions and have hosted visiting Chinese foresters in the United States.

Recently, USDA started a joint research program with the Chinese on pine breeding, giving them the seed collected from seed companies, forest industries and universities. To find out the endurance of U.S. species in their own country, the Chinese are running field tests with these seeds.

Why are the seed samples freely given to the Chinese? Apart from inherent scientific merits, the joint research project is literally sowing seeds for trade.

The Chinese are actively engaged in a nationwide afforestation program, both for conservation and commercial purposes. Abuse of forests incurs a severe penalty.

Forest products are used for fuel, fiber and food, and demand is increasing with the improvement in the quality of life in China.

There are many benefits in the exchange programs for the Chinese. Unlike other capital-intensive scientific or technical activities, the afforestation program has a modest economy of scale. For only a small financial investment, China can provide employment for a vast number of workers, contribute to erosion control and produce needed forest resources in a relatively short time.

If the afforestation effort is to succeed, China will need a sufficient supply of suitable plant materials—procured domestically and abroad.

In the decades ahead, the Chinese will have to buy seeds from other countries

to supplement and enrich their own stock. This opens the door for many U.S. exporters.

To compete with potential suppliers, U.S. seed dealers must have basic information regarding the types of seeds—and trees—China needs. The pine breeding project provides U.S. forestry experts with critical information to determine the export potential for transplanting U.S.tree species to China.

Successfully tested species will be commercially introduced into China's forestry efforts, so the Chinese will be buying known products. To fully tap the Chinese market, many U.S. tree species should be tested in the same manner as the pine breeding project.

U.S. Seed Companies Making Sales to China

American seed companies are as eager to sell the Chinese seeds as the Chinese are to acquire them. As a result of this mutual interest, a modest trade in seed is occurring between the two countries.

For instance, a Georgia seed company sold several hundred kilograms of Southern pine seed to China last year at $30-$35 per kilogram—or about $15 per pound of seed. This represents a high-value trade. Another company in Alabama sold a half-million dollars' worth of tree seed to the Chinese.

Besides U.S. tree species, Chinese foresters are also interested in seed extraction, nursery development and the whole technology of forest tree improvement.

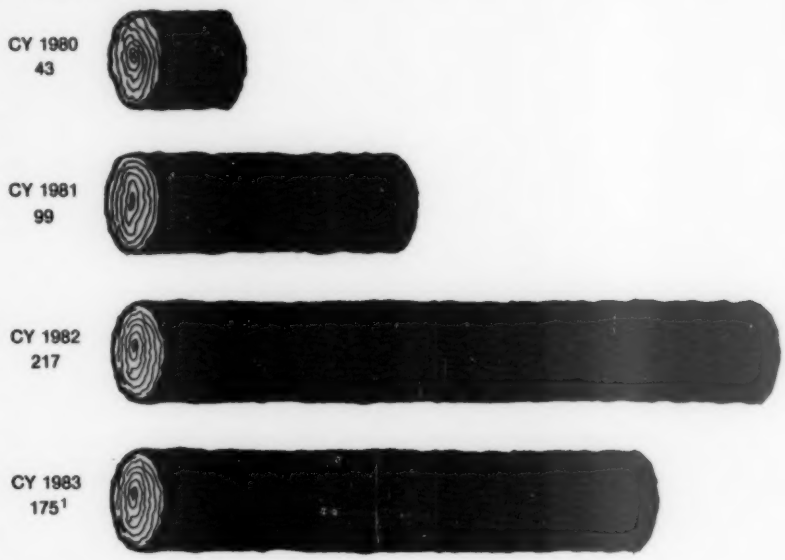
Ripple Effect in Other Countries

The success of China's afforestation program will encourage many other developing nations to examine their forestry practices.

Throughout the developing world, there is growing concern over disappearing forests and China's efforts in correcting the problem could serve as a model. Thus, the potential for U.S. companies in expanding seed production and handling is substantial.

U.S. Exports of Wood Products to China Expand Fourfold in Four Years

(In million dollars)



[1]Estimate.

Chinese Team Checks Out U.S. Forestry Industry

China's Minister of Forestry and a delegation of forestry officials met with the National Forest Products Association and other forestry groups and company representatives as part of their 10-day visit to the United States this past summer.

Minister Yang Zhong said that imports of wood products are vital to China and they should continue to grow. He pointed out that China's imports would be mainly of logs until the industry is better able to standardize lumber production and usage. Throughout their visit, the Chinese emphasized their need for greater technology imports from the United States.

Currently, only 12 percent of China's land is under forest, but the government's long-term goal is to have 30 percent of the land forested by the end of this century. China has several major programs underway to accomplish this, including a law requiring every person 11 years or older to plant three to five trees per year.

The author is with the Office of International Cooperation and Development, USDA. Tel. (202) 475-4190.

Trade Updates

Australia Announces New Tariffs for Canned Fruits

New tariff arrangements have been implemented by the Australian government to provide all sectors of the canning fruit industry with the same import protection as that for other comparable industries.

A general rate of duty of 10 percent ad valorem now applies to imports of canned peaches, pears, and apricots. A 15-percent duty will apply for canned pineapple up to July 1, 1985, at which time it will drop to 12.5 percent. A year later it will be lowered to 10 percent. The pineapple sector of the canning industry has been experiencing stiff import competition in recent seasons, which is why a phase-down was felt necessary to ease the adjustment process. *—Dale B. Douglas, Agricultural Counselor, Canberra*

Brazil Paring U.S. Pear and Apple Imports

U.S. exports of apples and pears will be virtually excluded from the Brazilian market during the 1983 marketing season due to the inability of importers to obtain licenses or difficulties with Central Bank authorizations. As recently as 1981, the United States was one of the leading suppliers of the Brazilian market for these fruits.

In addition to import licenses, all importers also need to get prior approval for imports by the Central Bank, which authorizes payment in foreign currencies on a priority basis. Petroleum takes precedence. Imports of nonessential commodities such as apples and pears are authorized as foreign exchange is available. Payment approval by the Central Bank frequently is delayed for several months after importation.

Brazilian apples and pear imports from Northern Hemisphere suppliers during the current season are expected to be from countries where Brazil enjoys a favorable trade balance and where payment can be arranged by clearing accounts.*—Edmond Missiaen, FAS. Tel. (202) 382-8895.*

Canada Sells Wheat to India for First Time Since 1975

Canada reportedly has sold 500,000 tons of wheat to India, its first sale since 1975. Canada had sold 400,000-600,000 tons annually to India during the early 1970s.*—Mary Ponomarenko, FAS, Tel. (202) 447-5413.*

Changes in Italy's Shoe Industry Restrain U.S. Hide Exports

While Italy remains the world's largest exporter of shoes, it is facing stiff competition from developing country suppliers because of their lower production costs. Developing countries have made sizable inroads into some of Italy's traditional markets—and that, together with a depreciating lira, has made Italian leather buyers much more cautious in their purchasing and stockpiling.

U.S. sales of raw cattle hides to Italy are being restricted as the Italians are using less leather, buying lower priced hides or lower quality leather, or buying from countries whose currencies offer a more favorable rate of exchange with the lira.*—Miles Lambert, Economic Research Service, Tel. (202) 447-8289.*

Downturn in Scotch Whiskey Industry Trims U.K.'s Corn Imports

The past two years of world recession have resulted in a severe downturn in world demand for Scotch whiskey—and a subsequent slump in the United Kingdom's corn imports from the United States. Corn use by U.K. distillers has declined by nearly a half since 1979, but some improvement is seen for 1984 as the economy improves. Corn use by distillers is expected to rise from the estimated 350,000 tons during 1982/83 to over 400,000 during 1983/84.

Until the beginning of 1983, the United States was by far the dominant supplier of corn to the U.K.'s distilling industry. However, cheap French corn, combined with a favorable exchange position for the franc, is challenging the U.S. position.*—Turner Oyloe, Agricultural Counselor, London.*

Egypt Bans Imports of Several Agricultural Products

Imports of live cattle, frozen chicken, tomato paste, fava beans and black olives have been banned for a five-year period, and Egypt has announced plans to dramatically reduce imports of frozen meat and lentils.—*David Schoonover, FAS, Tel. (202) 382-1289.*

Japan Lifts Ban on Danish Pork

Japan has lifted its restrictions on Danish pork imports, imposed after that country suffered an outbreak of foot-and-mouth disease in 1982. During the import ban, the rise in the U.S. share of Japanese imports was limited to 2 percentage points because of smaller U.S. supplies, higher prices, a stronger dollar and increased competition from Canada, Taiwan, Ireland and Sweden. Based on historic trade data, Denmark is likely to gain a 30-percent market share in 1984, while the U.S. share may slip from the current 23 percent to about 18 percent.—*Jack Mills, FAS, Tel. (202) 382-1346.*

Malaysia Raises Duties on Tobacco Imports

Malaysia has increased its import duty on cigarettes and cut filler tobacco for the third time in less than three years. The cigarette duty was increased by a third to approximately US$35 and duty on cut filler tobacco was raised by 30 percent to $28 per kilogram.

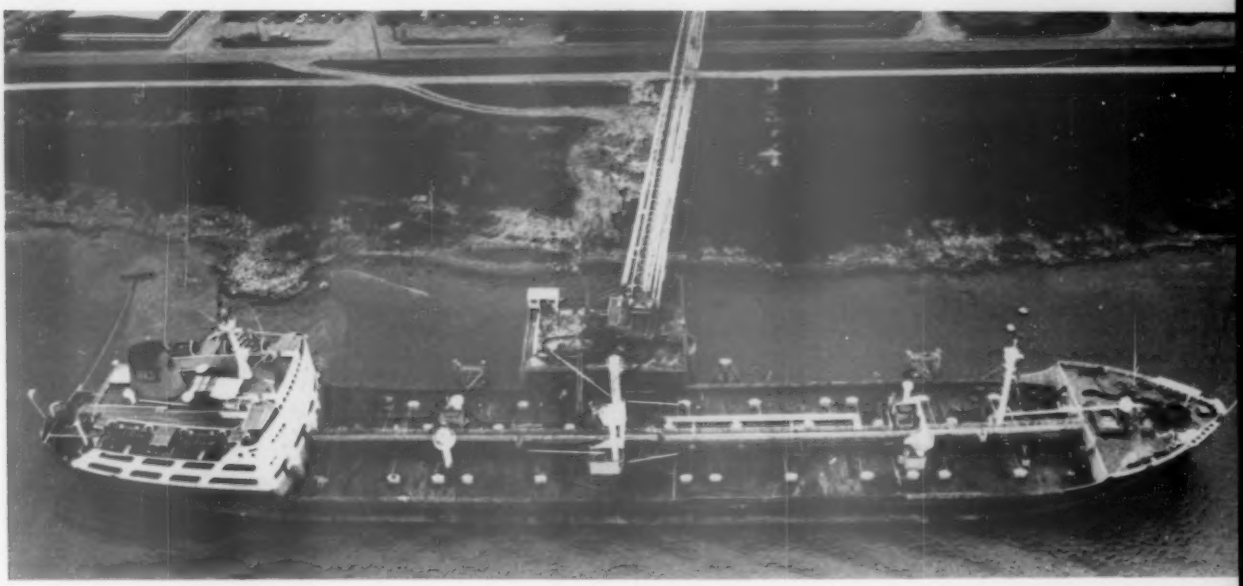
The target was American-blend cigarettes, which have been making inroads in the domestic market for all-Virginia (British-type) cigarettes. Imported U.S. cigarettes and tobacco for American brands manufactured in Malaysia are perceived as a threat to the domestic tobacco industry. The new duties will probably reduce the growth of U.S tobacco and cigarette export to Malaysia.

In 1982, U.S. exports of tobacco and tobacco products to Malaysia were valued at $69.3 million, of which $36.1 million was unmanufactured tobacco, $25.7 million cigarettes, and $7.5 million manufactured smoking tobacco in bulk.—*Oldrich Fejfar, FAS, Tel. (202) 382-9497.*

Saudi Arabia Announces New Shelf Life Standards

The Saudi Arabian Standards Organization has revised its proposed mandatory expiration dates (shelf lives) for frozen and canned fruits and vegetables marketed there. The revised, proposed dates are as follows: packaged fruit juices—9 months for cans, 12 months for bottles from the date of production, stored at room temperature; frozen concentrated fruit juices—24 months from freezing, with a storage temperature not exceeding –18 degrees C; other frozen fruit juices—18 months from freezing (–18 degrees C); frozen vegatables—18 months from freezing (–18 degrees C); and frozen fruits—12 months from freezing (–18 degrees C).—*Edmond Missiaen, FAS, Tel. (202) 382-8895.*

Competition Keen in Shipping Industry



By Kay L. McLennan

With export volume down after almost a decade of explosive growth, there is excess capacity in international shipping. In many cases, this means lower transportation costs for U.S. shippers—and a boost to their competitive position in world markets.

Time To Take Advantage of Ocean Shipping Rates

The charter shipping market is currently suffering from the worldwide recession. Freight rates are greatly depressed and the number of ships temporarily out of service is increasing while new orders for vessels decline. In addition to the recession, excessively optimistic predictions concerning coal trading overstimulated the shipbuilding industry, causing surplus shipping capacity.

With the resulting increased competition, shippers also have been able to negotiate lower liner rates for their cargo.

But low freight rates are not expected to continue indefinitely. Worldwide industrial and economic recovery may stimulate increased trade and an upturn in demand for shipping. The new U.S.-USSR long-term grain agreement is also expected to have a positive impact on trade and the charter market. When the demand for shipping increases, freight rates will also rise.

Although the availability and cost of shipping services are dictated primarily by demand, there are also other events afoot that may affect costs and services.

International Shipping Treaty Now in Effect

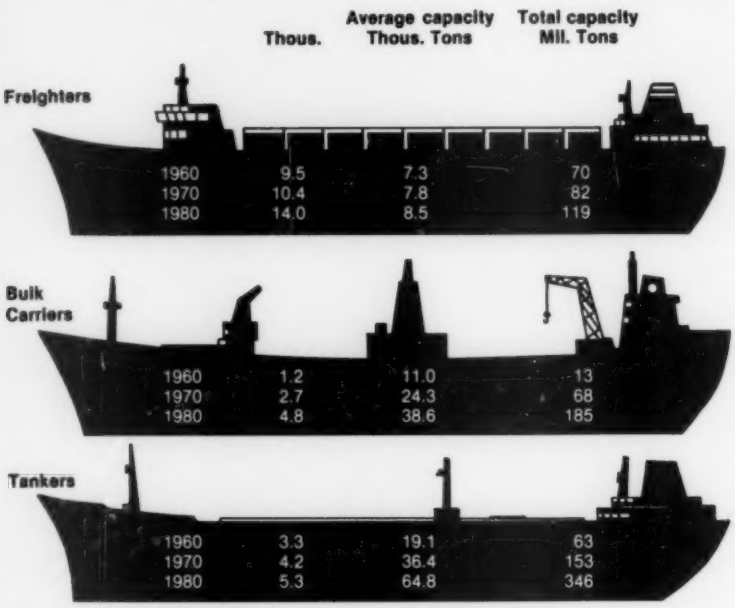
The United Nations Conference on Trade and Development (UNCTAD) Code of Conduct for Liner Conferences could have a major impact on liner international shipping rates and services. This new international treaty, which went into effect in October, governs relations between conference carriers and carriers and shippers in countries which have ratified the agreement.

The major provisions of the Code include a 15-month freeze on freight rates and cargo reservations. This reservation practice requires a certain amount of a country's foreign commerce to be transported on the merchant vessels of that country, on the basis of a 40-40-20 formula. The formula requires 40 percent of the cargo in a particular sale to be reserved for each country participating in the sale, with the remaining 20 percent available for carriage by merchant vessels of other nations.

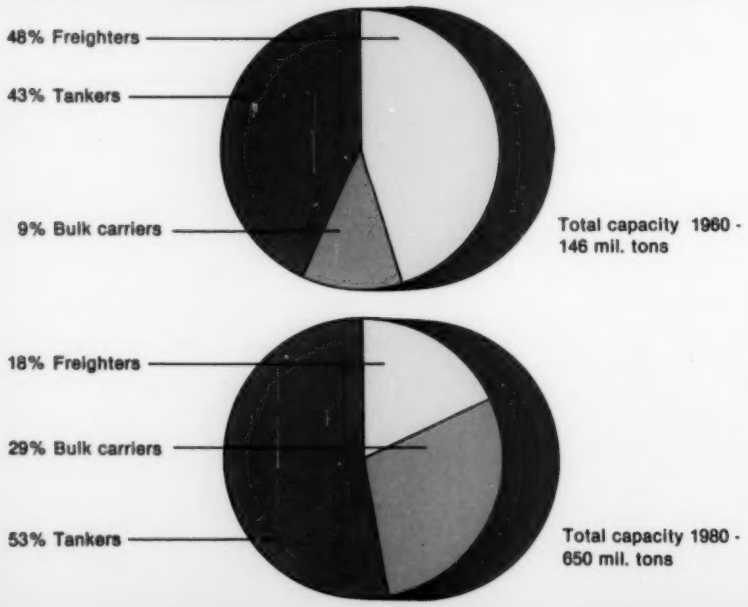
The United States opposes the Code and has not ratified it. Even so, the Code could affect U.S. shippers who seek to trade with a nation which has signed the treaty.

For example, countries which have ratified the Code may pressure countries which have not to implement some type of cargo reservation scheme. In addition, by placing limitations on an open marketplace for ocean transportation, it could increase rates and decrease services in the international marketplace in the long run.

World Merchant Fleet Grows



Composition of Merchant Fleet Changes Markedly as Capacity Grows More Than Fourfold



UN Looking at Other Shipping Practices

The UNCTAD Committee on Shipping, which developed the Code, is also interested in reordering other aspects of international shipping besides liner conferences. The Committee is considering establishing a set of regulations for bulk shipping markets similar to the new Code for liner conferences.

The Committee is also being pressed by developing countries to eliminate the open registry of vessels, which allows owners to register their ships in any country.

Developing countries contend that bulk shipping is controlled by transnational corporations which use the open registry of vessels to gain economic advantage. It is significantly more costly to operate a vessel in a developed country than in a developing country. Accordingly, developing countries maintain that if open registry of vessels were disallowed, bulk shipping would shift to them since they have a comparative advantage.

U.S. Maritime Legislation Pending

Proposed U.S. maritime regulatory reform legislation—the Shipping Act of 1983—would update the Shipping Act of 1916 and would change the way U.S. ocean liner shipping is regulated.

The bill would establish new requirements for shipping agreements between ocean common carriers, marine terminal operators and shippers. For example, under the proposed legislation, carriers and conferences may fix conditions of service and rates.

Proponents claim that it would allow U.S. carriers to compete more effectively with foreign-flag carriers and result in more flexible and responsive shipping services for both small and large shippers.

Opponents are concerned about the possible negative impact of this legislation on competition in general, on small shippers and on ocean rate levels.

Shipping Options: Sea or Air

Exporters have a few basic choices to make in selecting the best mode of transportation to send their products to foreign markets.

By sea, charter services, which usually carry bulk cargoes, such as grains, offer all or part of a vessel for hire, but do not have regularly scheduled service.

The charter market is highly competitive with rates reflecting the prevailing supply and demand for charter vessels. Shipping rates negotiated between the ship owner and the shipper are referred to as a fixture or a fixture rate. Since the majority of U.S. agricultural exports are bulk raw commodities, most are transported to market on charter ships.

Liners, on the other hand, provide regularly scheduled service over the same routes at fixed freight rates.

Most liner carriers participate in collective ratemaking associations called conferences which are organized around a particular trade route.

The conference members collectively set freight rates (tariffs), but individual shippers can petition the conference for rate reductions. Agricultural cargoes shipped on liners include bagged and high-value, packaged products. Liner cargoes can be carried in containers which can be refrigerated for perishables.

Less than 1 percent of total U.S. farm exports are shipped by air because it is more expensive. Air shipment costs roughly 22 cents per ton-mile, compared to about .3 cent by liner and .05 cent by charter vessel.

However, commodities which are high value or highly perishable are shipped by air. For example, over 75 percent of U.S. livestock exports are transported to their destinations by air. Cut flowers and nursery products and some fresh fruits and vegetables also are shipped by air.

Other pending legislation, the proposed Competitive Shipping and Shipbuilding Act, for example, would mandate cargo reservation on commercial cargo. The provisions of this bill would require 20 percent of all bulk cargoes imported into or exported from the United States by sea to be carried on U.S.-flag ships.

Proponents of this bill believe that cargo reservation is necessary to insure an adequate U.S. merchant marine for national defense purposes. Opponents contend that cargo reservation would increase shipping costs and diminish service. They also contend that defense needs might be better met through other means. Agricultural groups have been particularly concerned that such requirements could cause a significant decline in agricultural exports.

Other bills for U.S. agricultural exporters to keep an eye on include:

- The Deep-Draft Navigation Act, which would establish a nationally uniform deep-draft vessel tax to finance operations and maintenance of deep-draft commercial channels and harbors; to fund new channel improvements; and to expedite navigation improvement projects and related landside facilities at deep-draft ports.

- The Maritime Redevelopment Bank Act, which would amend the Merchant Marine Act of 1936 to establish a government corporation named the Maritime Redevelopment Bank of the United States. It would be an independent agency under policy guidance of the Secretary of Transportation. Such a Bank would promote private investment in maritime enterprise in furtherance of the economic, trade and national security interests of the United States.

- The Merchant Marine Act, which would also amend the Merchant Marine Act of 1936 to provide for the so-called "build foreign" authority, immediate cargo preference eligibility for reflagged vessels, additional foreign investment in U.S.-flag shipping, use of capital construction funds for vessels constructed in foreign yards or acquired from foreign sources, and the removal of the current ad valorem tariff on foreign repairs. ■

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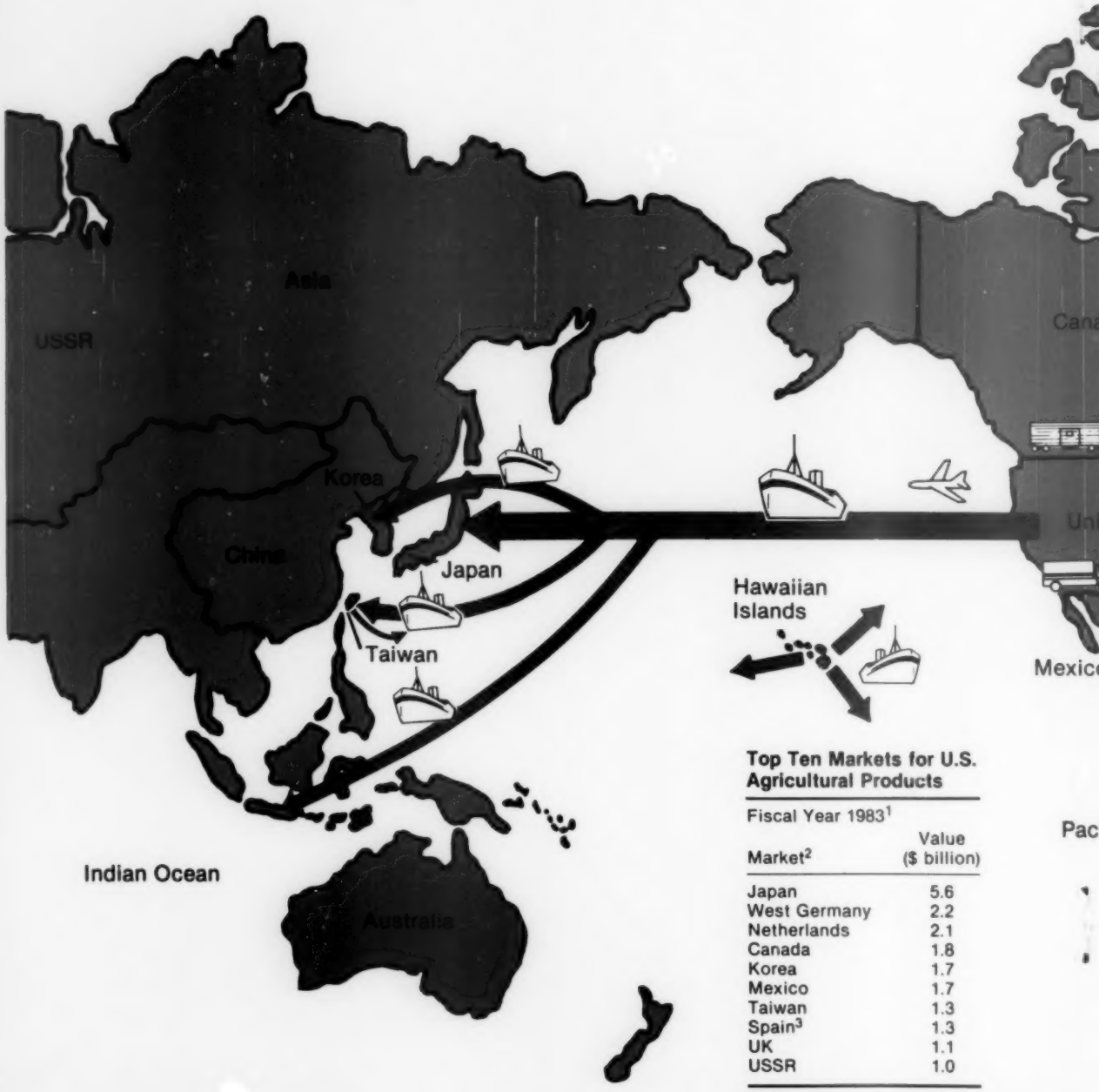
Major Agricultural Trade Flows and Top 10 Markets for U.S. Farm Products



Top Ten Markets for U.S. Agricultural Products

Fiscal Year 1983[1]

Market[2]	Value ($ billion)
Japan	5.6
West Germany	2.2
Netherlands	2.1
Canada	1.8
Korea	1.7
Mexico	1.7
Taiwan	1.3
Spain[3]	1.3
UK	1.1
USSR	1.0

[1]Estimated.
[2]Adjusted for transshipments.
[3]Includes Canary Islands.

Canada
United States
exico
Pacific Ocean
South America
Atlantic Ocean
Africa
Netherlands
UK
Europe
Germany
Spain
USSR

Covering the Rice Market

By Thomas Slayton

With 1¾ billion people depending on it as a staple in their diet, rice may be the single most important agricultural crop in the world.

Despite its international significance, rice remains something of a mystery crop to the people in the United States who yearly consume only 10 pounds per capita, about half as much as the yearly consumption of ice cream.

To growers in Arkansas, California, Louisiana and Texas, rice production is a billion-dollar-a-year export business. Two out of every three tons of U.S. rice are sold overseas, making the United States the second leading exporter with about 20 percent of world trade.

In the early 1970s, over three-fifths of U.S. rice exports were sold under various types of government programs. By fiscal 1982, the overall sales volume had doubled, and 87 percent of the exports were on a commercial basis.

While the United States is a major rice exporter, it accounts for less than 2 percent of the world's production.

Harvested on about 140 million hectares throughout the world, world rice production in recent years exceeded 400 million tons of rough rice or 275 million tons of milled rice.

The vast majority of this rice is consumed on farm. In developing countries, where over half of the world's rice is produced, probably only a fourth of it enters commercial channels. About 12 million tons or less than 5 percent of the rice produced is traded internationally.

Looking at the Market Factors

Approximately 90 percent of the world's rice crop is produced in Asia. Almost half of this crop is unirrigated, so the delicate balance between world rice supplies and demand depends crucially on the Asian monsoon.

With such a small amount of the rice produced entering world channels, a significant production variation in one or two important countries can have a significant impact on world demand and prices.

In countries where rice is a preferred staple, per capita consumption is largely unaffected by changes in world rice prices because the internal prices are insulated by government actions.

Consequently, significant price movements can result from small changes in import demand. Price swings are accentuated because world stock levels, compared to consumption, are relatively small and are often held by governments.

The rice market, like that of other grains, is heavily asymmetrical, with five exporting countries—Thailand, the United States, Pakistan, Burma and China—typically accounting for 65 to 70 percent of the rice exported.

Unlike the other grain markets, the principal rice importers are usually developing countries. And the top 10 importers account for a much less significant portion of the rice traded than the top 10 in other grain markets.

During the past five years, the 10 largest rice importers annually bought 4.4 to 7.2 million tons, 38 to 56 percent of the rice traded. Rice import demand in the 1970s became increasingly dispersed as a result of rising consumption in West Africa and the Middle East and the spread of high-yielding varieties in Asian countries.

Governments Are Key Actors

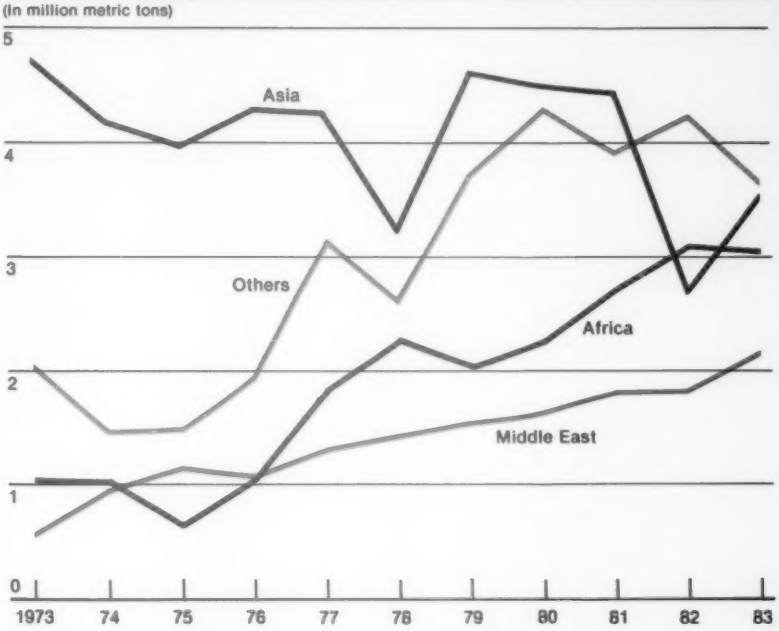
In many countries, it's a political balancing effort to keep the urban areas supplied with rice while providing for the welfare of the numerous rice farmers. In these nations, domestic trade and the importing of rice are usually either closely controlled or conducted directly by the government.

Typically, a government seeks to purchase all available domestic rice which meets certain quality standards at a specified support price. Government stocks of domestically produced and imported rice also are used to ensure that retail prices do not exceed a certain established level.

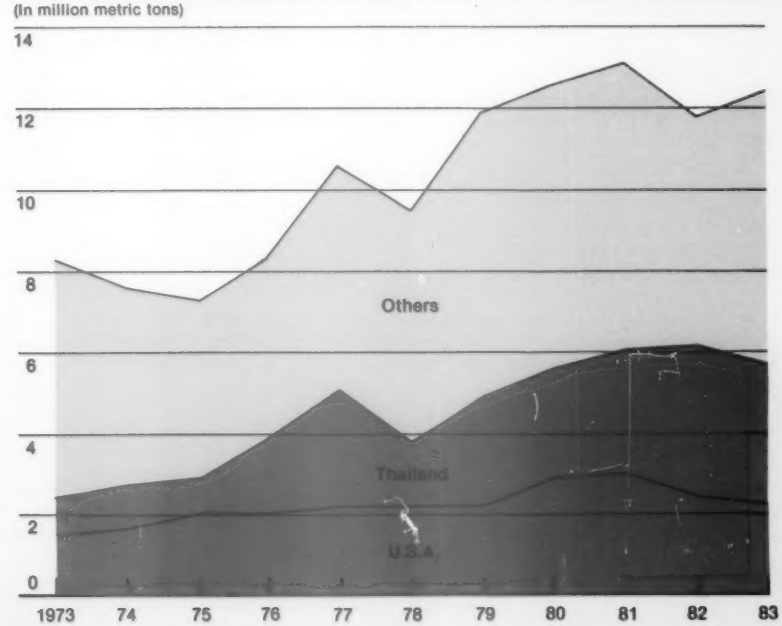
Most of the rice traded in the international market is done in lots of about 10,000 tons each, arranged through direct negotiations rather than tenders. Most export sales are done on an f.o.b. basis.

Of the 11.6 million tons of rice traded in 1982, an estimated 7.4 million tons or 64 percent were imported by governments. Moreover, rice imports are often controlled by licensing, quotas or other government measures.

African Rice Imports Nearly Triple in Last Decade



Two Exporters Account for Almost Half of World's Rice Trade



The role of governments is also widespread on the export side. In 1982, about 41 percent of all rice exports were carried out by governments. In fact, it's easier to count those producing countries where exports are left completely to the private trade—the United States, Australia, Italy, Argentina, Uruguay and Spain.

There also has been a growing use of government-to-government contracts. While no overall estimate is available, over 2.1 million tons or 41 percent of the 5.1 million tons exported by Thailand, Pakistan and Burma in 1982 were under government-to-government arrangements. This figure is expected to increase in 1983 as a result of increased imports by Indonesia and the Ivory Coast under these arrangements.

Pursuing Self-Sufficiency

In countries where rice is the staple, most governments follow policies of self-sufficiency by limiting rice imports and encouraging the use of high-yielding varieties and fertilizer through subsidized prices and the extension of short-term credit.

Many governments also hold large stocks of rice to ensure adequate supplies of rice at any given time and to compensate for years with disappointing harvests.

These practices contribute to the market instability. Some governments overcompensate and are faced with problems of inadequate storage, and their surplus rice can only be exported with a hefty subsidy.

The subsidy is needed, in part, because the domestic support price has risen above world price levels. Moreover, the surplus often has to be unloaded at a discount because buyers are unsure whether the quality is uniformly standard and acceptable.

To make matters worse, most of these countries are set up to import rice, rather than export it. Uncertain that the rice will be available at the port when the ships arrive, buyers are reluctant to risk the significant demurrage expenses resulting from delayed vessel loadings.

Coming to Terms With Rice

Quality. In the world market, quality is determined by a number of factors. Emphasis is placed on grain length (long, medium, and short) and on the percentage of broken kernels in a sample. The kernel shape (slender, medium, bold, and short), the chalkiness and translucency are considered. The absence of chalkiness and high translucency in the rice endosperm are characteristics associated with good quality. Uniformity of quality is important to rice traders and buyers.

Types of Rice. *Glutinous* rice (also known as waxy or sweet rice) has a very low amylose content. When cooked it forms a gelatine-like mass without distinct grain separation.

Most rice consuming areas in Asia produce small amounts of glutinous rice for use in desserts, ceremonial foods and sweet dishes. In northeast Thailand and Laos, however, it is the staple food.

Usually less than 100,000 tons of glutinous rice is traded, principally by Thailand. It is usually sold at a discount to non-glutinous rice with the same amount of brokens. Indonesia, Laos, Japan and China are the principal importers of glutinous rice.

Aromatic or scented rice is grown mostly in the Punjab area of central Pakistan and northern India and is called basmati rice. Small quantities of it are also grown in Thailand and sold principally to Hong Kong and Singapore.

The volume of aromatic rice traded is limited to about 300,000-400,000 tons annually, and it is sold at prices roughly double that of high-quality, long-grain rice. When cooked, basmati rice grains elongate to about twice their original size and remain completely separate.

Japonica rice, having a fairly low amylose content, is semi-sticky and moist when cooked. This round-shaped grain is grown in Japan, Korea, Taiwan, part of China, Australia, the Mediterranean area, Brazil and California.

Because of its cooking characteristics, the demand for this type of rice is relatively limited, with Indonesia and South Korea the principal importers.

The amount of Japonica rice trade has varied widely in recent years. Usually, however, only about 1.5 million tons of Japonica-type rice is traded internationally.

Indica rice is a long-grain rice grown principally in China, south and southeast Asia, and the southern United States. With an intermediate to high amylose content, Indica type rice cooks fluffy, and shows high volume expansion and grain separation.

The world market for milled, long-grain or Indica rice, can be divided into parboiled and regular milled. Parboiling is a process of soaking rice in water under pressure, steaming and drying.

The market can be further divided into high- (less than 10-percent brokens), medium- (10- to 20-percent brokens), and low- (more than 20-percent brokens) quality based on the brokens content. Some countries, of course, import and export more than one quality of rice.

Milled parboiled rice is traded in two distinct markets depending on the quality of the product.

Low-quality parboiled rice has, in addition to a high number of brokens and foreign matter, a dark color and a strong odor. Low-quality parboiled rice

Because most governments treat the world market as a residual source of supply, the quantity imported by any given country and the origin of the rice may vary from year to year.

These factors, combined with the primary use of direct negotiations for rice purchasing, result in higher marketing costs and add to the difficulty in getting information about current prices and import needs of any given country.

There are distinct markets based on different rice types, qualities and methods of processing. Preferences for different rices are so strong in some countries that consumers refuse to eat all but their familiar quality. As a result, prices of different types and qualities of rice vary somewhat independently of each other, based on the supply-demand factors for each market segment.

There is no single world market price for rice. The price of rice depends on specific quality characteristics. In addition, there is no central spot or futures market for rice comparable to the Chicago Board of Trade.

In Bangkok, the Thai Board of Trade's prices are commonly cited as the world price, but these are weekly posted prices which sometimes differ as much as 10 percent from the actual price at which rice is trading in that market.

In addition, rice of a comparable quality from a different origin may be sold at discount or premium compared with Thai rice, depending upon local supply-demand factors and proximity to the ultimate destination.

Without an effective futures market for rice, it is traded on a flat basis at considerable risk. While hard data on trading margins is lacking, the margins are sharply above those enjoyed in the much larger wheat and coarse grain markets. Generally speaking, most rice is traded internationally by a handful of specialized trading houses in New York, Paris and Geneva. ■

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is exported principally by Burma and Thailand. The major importers are Bangladesh, Sri Lanka and Liberia. Low-quality parboiled rice sells at about the price of broken rice.

High-quality parboiled rice has a yellow tinge and no strong odor. The United States and Thailand are the principal producers of high-quality, parboiled rice, and Saudi Arabia and Nigeria are the largest importers.

The European Community, Canada and South Africa import significant quantities of high-quality brown parboiled rice. In the United States high-quality parboiled rice usually sells at a premium to high-quality regular milled rice. In Thailand, the reverse is true with parboiled 5 percent (non-smell) selling at a discount.

High-quality, regular milled long-grain rice is exported principally by the United States and Thailand. The most often cited benchmarks are a U.S. No. 2/4 percent long-grain and a Thai 100-percent (Grade B). Significant amounts of consumer demand in the United States, Western Europe, Uruguay and Argentina exist for this quality of rice. In the Middle East, the principal markets are Iran and Iraq.

Although most consumers in south and southeast Asia prefer high-quality long-grain rice, only Malaysia, Singapore and Hong Kong are significant buyers.

Medium-quality, regular milled long-grain rice is exported principally by the United States, Thailand and Pakistan. The USSR, Brazil, Hong Kong, and Malaysia and Indonesia are the principal importers.

Low-quality, regular milled long-grain rice is exported by Thailand, Pakistan, China and Burma. Indonesia is the largest single importer of this quality of rice, but much of West Africa also imports low-quality long-grain rice.

Broken rice is usually considered the lowest quality of milled rice. Brokens are purchased by countries that have either a history of milling rice by hand pounding or by those with severe constraints on foreign exchange. In addition, low-quality brokens are used in the brewing industries in many countries.

The principal exporters of brokens are Thailand and Burma. The largest buyers in recent years have been Senegal (where brokens are preferred), Madagascar, Mauritania, Gambia and Vietnam.

Bringing a Taste of The United States to Asia

By Levi L. Turner

U.S. agricultural exporters will have a unique opportunity to explore the potential for their food products in two key Asian markets next spring.

The Foreign Agricultural Service (FAS), in cooperation with several U.S. trade associations and industry groups, is sponsoring American food exhibits in Singapore, April 24-27, and in Hong Kong, May 1-2.

Both Countries Show Excellent Market Potential

At the two shows, exporters can demonstrate and promote their food products to retailers, wholesalers, the hotel-restaurant and institutional trade and other food suppliers.

Singapore has become one of the fastest growing markets in the world for food products—thanks to its role as an entrepot trade center.

Recent years have seen a rapid rise in Singapore's economy which was accompanied by an increase in per capita income. These factors, coupled with demand for quality foods by hotel restaurants, tourists, the shipping and airline catering industry, and an increasing number of foreign residents, make Singapore a significant growth market for quality U.S. processed foods.

U.S. exports of food to Singapore grew from $90 million in 1979 to an estimated $300 million in 1982. About 75 percent of these products were re-exported to surrounding countries.

Significant imports include fruits and vegetables, grains, cereals and cereal preparations, coffee, tea, sugar, spices, frozen poultry, dairy products, meat, meat preparations, processed foods and U.S. breeder swine.

The principal value-added U.S. agricultural exports to Singapore last year were: frozen poultry parts (over $40 million), frozen foods, high quality beef, meat products, fresh fruits (especially oranges, apples and grapes), frozen french fries, fresh vegetables, canned goods, food soybeans, confectionaries, snack items, wines and other grocery items.

Hong Kong is also a fast growing market for American foods and farm commodities. In 1982, U.S. agricultural exports to Hong Kong totaled $392 million.

Hong Kong is a free port and the government seldom interferes in the import trade. Most goods can enter Hong Kong duty-free and tariff-free.

Hong Kong is a large export market for U.S. oranges and grapes. Other U.S. food items which find a market there include poultry, shell eggs, beef, apples, melons and lettuce. There is also potential for grocery items as the number of retail food outlets continues to increase.

Exhibitors Should Register Early

Any food product normally offered for sale to the U.S. food service industry can be displayed and demonstrated at the two food shows.

Exhibitor's fees are $500 for the Singapore "Food and Hotel Asia '84" show and $200 for the Hong Kong food show. Participants must have a representative at the show to discuss their products with those attending the exhibit. While U.S.-based representatives are preferred, agents and/or distributors are also welcome.

FAS will accept participation agreements on a first-come first-served basis until Feb. 29, 1984. Participation fees must accompany the application for exhibit space.

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Fact File

OECD: Its Role in Promoting Agricultural Trade

The Organization for Economic Cooperation and Development (OECD) was created on Sept. 30, 1961, and is headquartered in Paris. Its 24 member countries—all from the developed world—include the 18 West European nations that were members of the Organization for European Economic Cooperation (OEEC), the United States, Canada, Japan, Finland, Australia and New Zealand. Yugoslavia has special status within the OECD and has participated in certain work since OECD's formation. Yugoslavia participates fully in the Committee for Agriculture.

OECD is not a negotiating body, but rather a year-round forum in which the member countries, working together, can harmonize national policies in accordance with certain goals, which are: (1) to promote economic growth, employment, a rising standard of living and financial stability, (2) to assist the economic expansion of member countries and non-member developing nations, and (3) to further the expansion of world trade on a multilateral, non-discriminatory basis.

The Council, the chief body of OECD, is composed of all member countries and meets regularly at the Permanent Representative level and once each year at the Ministerial level. Questions of general policy that arise in OECD are sent to the Council, which decides on matters affecting the proper functioning of the organization. For example, the Council may set up committees or establish other bodies.

OECD's work is carried out by a variety of committees and working groups in the following areas: agriculture, food and fisheries; economic policy; trade policy; financial and fiscal affairs; energy; environmental policy; social affairs, manpower and education; science, technology and industry; development cooperation; and technical cooperation.

The Committee for Agriculture

The Agriculture Committee is composed of all member countries plus Yugoslavia. It meets about three times a year at the official level and every two years at the Ministerial level to discuss important issues and to provide direction for the organization's work. The last Ministerial meeting was in December 1982, when the U.S. delegation was headed by Secretary of Agriculture John Block.

The Committee is primarily concerned with the agricultural problems and policies of its member countries. However, because of the growing importance of developing and centrally planned markets for the OECD economies, the Committee has begun monitoring worldwide agricultural production and trade trends, and analyzing their implications for OECD members. The Committee's program of work also calls for an examination of alternatives for improving world food security and access of developing countries to markets.

The work of the Committee is carried out by two Working Parties—on Agricultural Policies and on Commodity Analysis and Market Outlook—and a Joint Working Party on Agriculture and Trade.

From time to time, ad hoc groups also work on specific topics, such as animal feeding, economics and social indicators, current research information systems, East-West relations in agriculture and the food chain.

Other activities include administration of several OECD "schemes": the scheme for the application of international standards for fruit and vegetables, the scheme for the testing of agricultural tractors, the scheme for seed certification, and the scheme for the certification of forest reproductive material moving in international trade.

Responsibilities Regarding Trade

OECD's Council of Ministers, at its annual meeting in May 1982, directed its Committees for Agriculture and Trade to focus on trade issues for the next few years, and specifically to analyze ways to:

- reduce agricultural protectionism,
- more fully integrate agriculture within an open multilateral trading system,
- achieve agricultural policy goals compatible with an orderly and improved development of agricultural trade,
- examine national policies and measures significantly affecting agricultural trade, and
- improve the functioning of world agricultural markets, including efforts to foster better bilateral and multilateral agreements.

As a consequence, through mid-1985, the Committee for Agriculture will be focusing its attention on ways to reduce trade barriers on a commodity by commodity basis. Cereals, other feedstuffs, dairy products, meats, sugar, and some fruits and vegetables will eventually be included in the analysis. The first results of this work are expected late this year.

Beginning early next year, agricultural policies of Australia and Canada will be scrutinized to see how they affect international trade, particularly among OECD countries. These will be followed by studies of the United States, the European Community, Austria, Japan, New Zealand, and possibly a Nordic country.

Methods for improving the functioning of the world agricultural markets will be considered by member countries by 1985. This part of the study will be partially based on the other two phases of the work.

The overall report is to be submitted to the Council of Ministers at its annual meeting in mid-1985. However, results of each phase of the study will be discussed by the OECD Agriculture and Trade Committees. Thus, they can begin to influence policies while the other work is still in progress.

The Confrontation Process

One technique used by the Committee for Agriculture to harmonize trade policies is the "confrontation exercise," in which the policies of each member country are examined critically by all the other members in a frank discussion. Out of these Committee meetings come numerous reports containing both factual findings and policy recommendations.

The OECD also publishes special surveys and statistics on a wide variety of subjects for use by governments, trade groups, researchers and business people throughout the world.

Relationship With USDA

Within USDA, liaison with OECD is handled by the Office of International Cooperation and Development. This organization is responsible for maintaining effective working relationships with OECD, contributing papers on food and agriculture and coordinating selection of delegates to represent the United States at OECD conferences on agriculture.

The author is Max L. Witcher, Assistant Deputy Administrator for International Organization Affairs, Office of International Cooperation and Development, USDA. Tel. (202) 382-8762.

Country Briefs

Argentina

Oilseed Plantings To Expand

As a result of attractive world prices, Argentine soybean and sunflower plantings for 1984/85 are expected to reach record highs, which will boost production and exports substantially. Production forecasts put soybean output in the coming year at 4.7 million tons, and sunflower production at 2.5 million. Substantial increases in exports also are likely. Some of the increase in soybean production will be exported as soybeans, but virtually all of the increase in sunflowerseed production will likely be marketed as products. *—Judith G. Goldich, FAS. Tel: (202) 382-0092.*

China

Self-Sufficiency Achieved in Oilseeds

China now considers itself basically self-sufficient in oilseeds. This has been achieved mainly through greatly increased rapeseed production, which has more than doubled in two years due to changes in the production plan and procurement price policy. Cottonseed and sunflowerseed also have had huge production increases. Per capita consumption of edible oils is said to have increased from 1.6 kilograms in 1978 to 3.5 kilograms in 1982.

Imports of most oilseeds and products are now seen as unnecessary by Chinese officials. In 1982, the United States exported 246,000 tons of soybeans worth $63.2 million to China. However, the last shipment occurred in May 1982. *—Judith G. Goldich, FAS. Tel: (202) 382-0092.*

Egypt

New Cigarette Could Boost Imports of U.S. Tobacco

A new Egyptian cigarette—Super Cleopatra Lux—appears to represent an excellent market opportunity for U.S. tobacco, given competitive export prices.

The new cigarette is being sold as a premium low tar (15 milligrams) and low nicotine (less than 1 milligram) brand for about 70 percent more than the top selling regular Cleopatras.

Egyptian cigarette output is now up to 155 million pieces per day. This rate, if maintained, indicates annual production of about 46 billion for the fiscal year which began last July 1. Supplies of the cheaper local brands have apparently increased, as the long lines which once formed to buy them have all but disappeared. *—Verle E. Lanier, Agricultural Counselor, Cairo.*

European Community Agricultural Exports Stall

After years of successive sharp increases, the European Community's (EC) agricultural exports declined $1.5 billion in 1981 from the previous year to $73 billion. Exports to non-EC countries, which rose at a 22-percent average growth rate for the 1976-81 period, set a new high of $29.1 billion. However, intra-EC exports reversed the rapidly climbing trend of recent years and dropped $4.2 billion. Exports were hampered by increasing self-sufficiency for some commodities within EC member states, and weak consumer demand caused by recession.

Non-EC countries continued to be increasingly important for the EC's surplus production. In 1981, assisted by export refunds, 40 percent of the EC's total agricultural exports went to non-EC countries compared with 30 percent 5 years earlier. The proportion of the total exports of specific commodities shipped to non-EC countries was 52 percent for grains, 43 percent for milk and milk products, 80 percent for sugar and preparations, and 43 percent for wine. In addition, significant shares of many other important agricultural exports such as fats and oils, beef and veal, pork, poultry meat and eggs, and fruits and vegetables went to non-EC countries.

In 1981, export subsidies for EC agricultural exports to non-EC countries totaled $5.8 billion (in terms of the appreciated U.S. dollar), down from $7.9 billion the previous year. However, subsidies still represented 20 percent of the total EC export value to non-EC countries. *—James Lopes, Economic Research Service, Tel. (202) 447-8289.*

Sorghum Production To Be Encouraged

The European Community (EC) will provide the same intervention price support for sorghum as for other EC grains starting in the 1984/85 season. Such a sorghum support program could stimulate additional production through acreage shifts away from lower yielding barley, oats and rye, or raise yields on land presently in sorghum. That could raise disposal problems, which in turn might necessitate a subsidized export or storage program. Alternatively, since the EC's price system puts imported grains at a disadvantage vis-a-vis domestically produced grains, increased sorghum use would tend to displace imported feed grains, which consist mainly of U.S. corn. *—Alan Riffkin, FAS. Tel: (202) 4476-3179.*

France

Mushroom Industry Records Strong Growth

France is second only to the United States in production of fresh, cultivated mushrooms, and leads the world in canned production. It accounts for 55-60 percent of the European Community (EC) production of canned mushrooms.

The French canned mushroom industry has grown steadily for the past 10 years. From 1972 to 1982, production and consumption of canned, cultivated mushrooms in France rose 36 percent and 86 percent, respectively, and exports climbed by 46 percent.

Whether French canners can continue increasing their canned mushrooms sales to other EC countries will depend heavily on consumption trends in West Germany—which took three-fifths of French exports in 1982.

In addition, competition from other countries is increasing. So far, France has been able to maintain its exports within the EC because of a third country import quota set at 35,000 metric tons, net weight, to the end of this year. The French want a smaller quota, down to about 30,000 tons, for 1984. *—Ernest Koenig, Agricultural Counselor, Paris.*

Italy

Record Wine Production Likely

Italian wine output in 1983 is forecast at about 80 million hectoliters, up 10 percent from 1982. However, the large crop contrasts with a fairly gloomy outlook for marketing. During recent years, Italy's domestic wine consumption has declined. From 109 liters a decade ago, per capita use was down to 89 liters last year. Exports have increased to offset most of the drop in domestic use. However, during the first six months of 1983, Italy's wine exports were down some 20 percent from 1982.

Major Italian bottlers are striving to recapture lost domestic markets by trying to make wine fashionable among young people, who have been attracted by heavily advertised soft drinks. Some wines are now packed in 8-ounce cans to appeal to the scooter set. Tastes are also changing, with a marked shift from red to white wines and from aged to young wines. This trend has caused some firms to launch new wines, such as a white chianti and a white lambrusco, which in many cases come from red grapes. A special technique is used that gets rid of the peel and filters color from the must. *—James Rudbeck, Agricultural Counselor, Rome.*

Spain

Small Honey Crop To Prompt Larger Imports

Due to a severe drought and forest fires in major producing areas, Spain's 1983 honey crop, estimated at 4,000 metric tons, is expected to be the smallest on record and 50 percent below last year. With domestic consumption put at 14,000 tons, Spain likely will need to import at least 10,000 tons of honey.

Imports in 1982 totaled 5,629 tons (mostly in containers over 2 kilograms) worth about $5.4 million. Principal suppliers were Argentina, China, Australia, Bulgaria, Mexico, El Salvador and Cuba. *—Fred W. Traeger, Agricultural Counselor, Madrid.*

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